

Fiscal and Administrative Policy

<http://www.nd.gov/fiscal/>

**Updated
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Office of Management and Budget

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Office of Management and Budget

Preface

The operating policy for the state is the North Dakota Century Code and Constitution. This manual and the fiscal policies contained herein are established as a guide for agencies and institutions of the State of North Dakota in order to achieve basic uniformity in the application of appropriation expenditures and basic management principles.

The fiscal and administrative policies are not all-inclusive; the underlying rules for all expenditures of taxpayer funds is a common-sense approach.

This is a complete set of policies issued by the Office of Management and Budget.

Below is a brief summary of the changes made to these policies for the 2007-09 biennium. Listed is the policy number, policy title, and the changes made:

- 103 Release of Public Records – Added NDCC 44-04-18 section 2 reference which allows a public entity to charge for the cost of providing the information.
- 110 Form 1099 Compliance – Added language that requires a W-9 be filed with Vendor Registry for all non-employee vendors.
- 112 Employee Criminal History Background Checks – New policy
- 113 Items to be Returned upon Termination with the State – Added Business Cards
- 114 Procedure for Overpayment on Current Employee's Pay – New policy
- 115 Direct Deposit & Deposit Types – New policy
- 116 Certification of Payroll – Was policy 213; renumbered to 116
- 202 Control Over Rate of Expenditures – No longer requires an agency to distribute their budget organizationally, but it is recommended. Added language to clarify who is responsible for preparing Organizational, Appropriation and Appropriation Line budget adjustments.
- 206 PeopleSoft Security Requests/Access – Change the title and incorporated SFN 54176, PeopleSoft HRMS User Request Form
- 207 Promotional Expenses – Added that requests to be classified as a promotional agency must be in writing to the Director of the Office of Management and Budget and must provide the reason for being so.
- 213 Monitoring of Federal Funds – New policy
- 216 Internal Control & Fraudulent/Significant Dishonest Acts—New policy

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- 505 Reimbursement for Meals and Lodging – Increased in-state lodging to \$55 plus applicable taxes. Updated the standard rate for the continental United States as of October 1, 2006 to \$39.
- 507 Travel in City of Employment – Changed the mileage rate to 45 cents per mile
- 511 Use of Personal Vehicle – Changed the mileage rate to 45 cents per mile
- 515 Coffee and Soft Drink Expense – Deleted the phrase, “(Non-promoting Agencies)”

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Payroll and Miscellaneous Fiscal Policies

August 1, 2007

Policy 100 - Deferred Compensation

A program has been established for deferring a portion of employees' compensation in accordance with NDCC Chapter 54-52.2.

These deferred compensation programs are made available as an option to employees in order to provide supplemental retirement income with favorable tax consequences on current and future income.

The provisions of federal law and the IRS require strict adherence to several regulations. In order to protect the integrity of the tax preferred status of deferred compensation, a uniform plan has been developed for use by state agencies. A committee, as provided for in the federal regulations and state statute, administers this uniform plan.

For information relative to deferred compensation, contact the Public Employees Retirement System.

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Policy 101 - Employer-Employee Relationship

The State of North Dakota is required by law to withhold payroll taxes on compensation paid where an employer-employee relationship exists. This precludes making payments to individuals from operating expenses where there is an employer-employee relationship.

The Internal Revenue Service uses many factors to distinguish independents or independent contractors from employees. Factors such as control over method of doing work, training of new employees, place where work is done, determination of hours, source of tools and supplies, etc., are used as qualification criteria. The approach taken by the IRS varies greatly from job to job, agent to agent, and year to year.

The following minimum guidelines should be used to determine whether an individual should be classified as an employee or as an independent contractor as described in the internal revenue code:

Generally, there is an employer-employee relationship when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work, but also as to the details and means by which the result is accomplished. The employer does not have to actually direct or control the way the services are performed; it is enough if he has the right to do so. The following factors are also important in determining whether a person is an employer: right to discharge; furnishing of tools; furnishing a place to work. If the employer-employee relationship in fact exists it does not matter that the employee is called an independent contractor. Substitutes who are properly working in place of regular employees are considered employees for purposes of withholding.

Budget requests must be prepared utilizing the above guidelines.

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Policy 102 - Interagency Transfers of Personnel

The payroll treatment of interagency transfers will be accomplished in accordance with the North Dakota Personnel Policies. These policies set forth the authority granted agencies under Section 54-51 of the NDCC and also provide guidelines for the transfer of annual leave and sick leave.

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Policy 103 - Release of Public Records
NDCC 44-04-18.1

OMB will release all non-payroll information to which it has access, such as payments for travel, expense vouchers, miscellaneous claims, etc., pertaining to any state agency, department, board, etc.

In accordance with North Dakota Century Code 44-04-18.1, except as otherwise specifically provided by law, a state employee's "personal information" is exempt from being open to the public and will not be released by OMB. "Personal information" means a person's home address; home telephone number; photograph; medical information; motor vehicle operator's identification number; social security number; payroll deduction information; the name, address, phone number, date of birth, and social security number of any dependent or emergency contact; any credit, debit, or electronic fund transfer card number; and any account number at a bank or other financial institution.

OMB will release, as a matter of public record, other "non-personal payroll information" not exempt. NDCC 44-04-18 section 2 states "Upon request for a copy of specific public records, any entity subject to subsection 1 shall furnish the requester one copy of the public records requested. A request need not be made in person or in writing, and the copy must be mailed upon request....."

A public entity may charge a "reasonable fee" for the actual cost to make the copy, including labor, materials, and equipment. Refer to NDCC 44-04-18 section 2 for more details on what and how much a public entity may charge.

OMB and state agencies will verify employment information to banks, credit unions, etc., via the telephone.

Exceptions:

- The "personal information" as defined in NDCC 44-04-18.1, at the discretion of OMB, can be released if there is a valid request and is necessary to conduct state business.
- Any telephone number and the home address of an employee of the Department of Corrections and Rehabilitation are confidential and will not be disclosed.
- Any "personal information" or records that would reveal the identity, or endanger the life or physical well being of any state undercover law enforcement officer is confidential and will not be disclosed.

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Policy 104 - Unemployment Compensation

All departments and institutions of the State of North Dakota will pay to OMB one percent of the first six thousand dollars of each employee's earnings, or such rate as may be established by the director of OMB, for the purpose of paying unemployment compensation claims. This assessment is to be paid from the general fund and special funds appropriated to the individual departments and institutions.

For agencies on the central payroll system, the above assessment will be automatically charged to appropriations from the monthly payroll records. A report will be issued of all salaries for which the assessment has been charged.

Agencies not on the central payroll system will be required to report all salaries paid (by employee) and pay the assessment on a monthly basis.

OMB is responsible for the collection of this assessment and also for processing of reimbursements to Job Service North Dakota. However, each department is responsible for the verification of claims and the certification for payment.

OMB may suspend the above assessment upon determination that the Unemployment Compensation Fund has sufficient resources to offset anticipated obligations.

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Policy 105 - Severance Pay

NDCC Chapter 54-14-04.3, provides for severance pay as follows:

1. For the purpose of this section, severance pay means compensation received, upon termination of employment, for reasons primarily beyond the control of the state employee or officer. Severance pay does not include payments made to a terminated employee or officer for accrued annual or sick leave, or compensatory leave, where such payments are authorized.
2. Except as provided in Subsection 3, no state employee or officer shall be entitled to severance pay upon termination of employment if the employee or officer quit employment voluntarily or resigned of his or her own accord, or was dismissed for gross neglect of duty, gross misconduct while on duty, or for other good cause. A state employee or officer may be entitled to severance pay if the employee or officer was dismissed from employment because of reductions in staff or temporary or permanent layoffs, or for other reasons primarily beyond the control of the employee or officer.
3. A state agency may, within the limits of its legislative appropriations, provide financial incentives to encourage an employee to retire or resign if the resulting departure will increase agency efficiencies or reduce expenses.

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Policy 106 - Manual Checks

All disbursements will be made through the computerized accounting and check writing system.

Manual checks will not be issued by OMB except in extreme emergencies where severe hardship or damages will result from a delay in processing the payment through normal channels. Requests for manual checks must be submitted in writing to OMB.

The issuance of manual checks has a negative impact on internal control and requires additional accounting and clerical procedures. Normal delays in processing caused by data entry complications do not constitute an emergency, especially when an agency should have commenced with the payment process at an earlier date.

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Policy 107 - Central Payroll Deductions

OMB operates the state's central payroll system. This system is operated for all state agencies except the institutions and agencies under the control of the ND University System, Bank of North Dakota, ND Mill, Housing Finance Agency and Roughrider Industries. The following policies and procedures explain the payroll deduction features of the central payroll system.

Deduction Approval — the policy of OMB to establish a new payroll deduction requires the requesting company or agency to have a minimum of 50 Central Payroll employees enrolled before requesting approval for a deduction. When the required number of employees has been enrolled, a request for approval of the deduction must be submitted in writing to the director of OMB.

Limitation on Charitable Campaign Deductions — OMB will process deductions for charitable campaigns only when they directly benefit the citizens of the State of North Dakota.

Payroll Cycle — the central payroll system operates on a monthly cycle. Advanced payroll employees receive their checks the first working day of the month. All hourly employees and overtime payments are paid on the tenth calendar day of the month. If the tenth falls on Saturday or Sunday, payment will be made the prior Friday. The payroll is for the previous month's services.

Tenth Calendar Day of the Month Payroll Schedule — payroll checks are released for hourly employees, overtime, and any other pay that was not paid on the first working day of the month on the tenth calendar day of the month.

This is the normal payroll schedule. No guarantee of the payment dates can be made since mechanical problems or other unforeseen problems could cause delays.

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Policy 108 - Access to Capitol Complex

The key control system and card access systems are maintained for the security of the capitol complex. All capitol complex buildings are controlled and secured by a master key locking system. Keys for elected or appointed official's offices located in the capitol complex will be issued and controlled by Highway Patrol. Keys to doors in the legislative wing will be issued and controlled by the Legislative Council. Keys are needed to enter the building and offices on weekends, and weekdays after normal working hours.

Each department and agency will designate an individual to request keys and ensure the return of keys. Agencies and departments should ensure they receive all keys from employees who are terminating their employment with the State of North Dakota prior to their last day. OMB will retain a master listing identifying the keys issued by department, employee, and access allowed by the key or card for the Highway Patrol.

State employees will be issued electronic access (card or key) if approved by the agency head. If employees are granted outside door access, they must be given a key to their office area. Each employee will be responsible for any guests who accompany them into the building.

Keys or cards issued to employees become their personal responsibility. If lost or stolen, it must be reported immediately and the employee will be charged a fee for the lost key or card.

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Policy 109 - Office Space

OMB is responsible for the assignment of office space within the capitol complex. All state agencies and departments must comply with this policy and the procedures in NDCC section 54-21-24.1 except for the North Dakota University System, the Adjutant General, the Department of Transportation, and storage space for field engineers and maintenance crews.

When space is not available in the capitol, it is necessary to lease or rent additional space in buildings located off the capitol grounds. Leases for office space off the capitol grounds must be approved by OMB and reviewed by the Office of the Attorney General.

Agencies needing office space outside the capitol complex must first review locations currently rented by other agencies and attempt to secure rental space with other existing units of government prior to securing new locations. OMB has a list of office space within the Bismarck-Mandan area currently leased by state agencies and departments.

Co-location of agencies within the same building will help to ensure efficiency and shared services between units of state government. OMB limits the number of locations for state offices in rental space to help individuals who need the services of these agencies and departments.

Once an agency has decided where to locate its office, the standard lease form provided by OMB must be presented to the owner/landlord for review and approval. This standard lease will be the basis for all leases or rentals. Amendments or special additions may be identified and added to the lease if they are relevant to the function of the agency for specific services being provided by the landlord. Once the lease is signed by both the Office of the Attorney General and OMB, it will be returned to the agency for signature. One copy of the lease, with all signatures, must be retained in OMB.

A committee consisting of the director of Facility Management, the state facility planner, and the capitol complex physical plant manager reviews all proposed changes to any space located in any building on the capitol complex.

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Policy 110 - Form 1099 Compliance

The Internal Revenue Code requires that Form 1099 be filed for certain payments. A reportable payee is an individual, combination of individuals, sole proprietorship, partnership or trust.

The agency is required to withhold 28 percent of the payment to the payee if Form W-9, Request for Taxpayers Identification Number and Certification, is not filed with the agency. A W-9 is required for all non-state employee vendors and is to be filed with Vendor Registry.

All monies received by the payee must be reported. It is the payee's responsibility to report to IRS those expenses that are business connected. Non-state employees must be paid as state employees when expenses are involved. The same IRS rules apply if there is no overnight stay. Agencies that pay for these expenses must report them as taxable income.

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Policy 111 - Postage Meters

All state agencies, departments, and institutions requesting to lease or rent a postage meter must comply with NDCC 54-06-18. Each state agency, department, or institution authorized by the director of OMB to lease or rent a postage meter shall maintain records as the director may require, and allow the inspection of those records on request.

An annual report identifying total postage used during the calendar year must be submitted to Facility Management by February 15 of each year.

Facility Management will keep a record of the identification numbers of all postage meters authorized for usage.

The University System is exempt from this statute and policy.

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August 1, 2007

Policy 112 – Employee Criminal History Background Checks

Effective August 1, 2007 per NDCC 12-60-24, the Director of the Office of Management and Budget shall require a FBI criminal history background check for each individual who has access to personal information. For purposes of this policy, the term “personal information” applies to electronic information contained in the State’s PeopleSoft system.

This policy applies to applicants and employees:

- filling positions after July 31, 2007 and who will have access to personal information

OR

- who will assume new job duties after July 31, 2007 that give them access to personal information.

Individuals are designated to have access to personal information if, in PeopleSoft, they have access to any of the following:

- HRMS/Payroll application
- vendor information
- state employee information such as home addresses, personal phone numbers, social security numbers or bank accounts
- one-time payment entry or inquiry

NOTE: [SFN 54418, ConnectND Financials Security Access Request](#) will designate the roles requiring an employee background check. All HRMS/Payroll roles will require a background check.

The Risk Management Division of OMB is responsible for coordinating the FBI background checks with the Bureau of Criminal Investigations (BCI) division of the State Attorney General. Below are the procedures to be followed:

1. BCI will charge \$52 per background check until October 1, 2007. Thereafter, BCI will charge \$47.25.
2. BCI will initiate the IDB for the background check. If paying by ACH or check, the state agency must provide a copy of the voucher to Risk Management. The voucher must include the name of the individual(s) being fingerprinted. State agencies must use PeopleSoft Account Code 621055 to pay BCI.

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3. The state agency requiring the background check must request the Risk Management Division to provide them with two official fingerprint cards.
4. The individual to be fingerprinted is to complete and sign *the [Information Release Authorization for Background Investigation form, SFN 58613](#)*. This form can be printed from the Risk Management Division website.
5. State agencies will provide the individual with the two official fingerprint cards received from the Risk Management Division and arrange for the individual to be fingerprinted at a local law enforcement entity.
6. Agencies should contact the local law enforcement entity and notify them as to who is being sent to be fingerprinted. PeopleSoft Account Code 621050 should be used for payment of the fingerprinting. Payment can be made by check, ACH or pcard. The method of payment will be dependent upon the local law enforcement entity, whether or not credit cards are accepted as a method of payment.
7. The individual is to return both completed fingerprint cards to the state agency requesting the background check.
8. The completed fingerprint cards and the signed Information Release Authorization for Background Investigation Form SFN 58613 are to be sent to the Risk Management Division of OMB. Risk Management will send the appropriate documents to BCI.

BCI will return the background check report to the Risk Management Division. The Risk Management Division, working with Human Resource Management Services, will assist the agency in determining the job relatedness of the BCI report for purposes of filling the position.

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Policy 113 – Items to be Returned upon Termination with the State

If an employee is in custody of any of the items listed below, agencies should ensure they are returned by employees who are terminating employment with the State of North Dakota prior to their last day of employment (this is not a complete list of items):

- P-card
- State phone card
- State ID card
- Keys to capitol complex (see policy 108 also)
- Business Cards

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Policy 114 – Procedure for Overpayment on Current Employee's Pay

OMB requires that any overpayment, made to an employee currently on the state's payroll system, be deducted from the employee's subsequent payroll check(s). An agency is required by NDCC 34-14-04 and 34-14-04.1 to get a signed statement from the employee that they agree the overpayment happened and that it will be corrected by deducting the overpayment from their future check(s). This signed statement should be kept in the agency's employee payroll file. By deducting the overpayment from future check(s), the payroll system can correctly calculate current year federal and/or state taxes for the employee. The total amount that should be deducted from future check(s) should be either 1) the gross amount of the overpayment or 2) the number of hours that the employee was overpaid.

OMB recommends that any overpayment should be paid back, in full, in the month after the overpayment is discovered. An overpayment that is reported to OMB within 5 days of the check/advice issued date can be reversed and a correct check calculated and reissued.

If an overpayment occurs at the end of the calendar year, the employee may have to pay back the amount in a personal check. OMB will then manually adjust the wages and taxes and print a corrected W-2. However, this practice should be avoided whenever possible

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Policy 115 – Direct Deposit – Deposit Types

An employee must designate one account within the Direct Deposit section of Peoplesoft payroll with the **Deposit Type** of Balance. If an employee wants their paycheck distributed to multiple accounts, the employee can establish desired percentages and/or priorities for each savings and/or checking account. However, the highest priority account should be the Balance account. Designating one account as the Balance account facilitates the movement of the appropriate vendor information to Peoplesoft Financials.

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August 1, 2007

Policy 116 - Certification of Payroll

NDCC 54-44.3-15 and 54-44.3-16 have been amended so the task of certifying payrolls is done at the agency level rather than by the director of Human Resource Management Services. As stated in 54-44.3-16:

“The designated personnel officer of each agency or department shall certify to the agency elected or appointed chief officer that each person holding a position in the classified service authorized for payment through payroll has been classified in accordance with the provision of this chapter and that the rate of pay is within established current salary ranges or excepted from the ranges by written authorization by the director.”

It is now the agency’s responsibility to ensure that payroll is signed by a designated official certifying that all positions have been classified appropriately and paid within the assigned salary ranges. Human Resource Management Services does not anticipate requiring or receiving any additional certification from agencies. Proper certification is accomplished through the current signature process to authorize payroll. Please keep in mind that the director of Human Resource Management Services will still be able to take exception to payments if it is determined that an individual has not been classified correctly or paid within the assigned salary range.

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May 1, 2008

Policy 117 - Worker's Compensation

Employees who are eligible to receive disability benefits for a lost time claim can continue to receive full salary by choosing to use leave to **supplement** their benefits. Any employee that is receiving worker's compensation benefits should complete the Worker's Compensation Leave Option form, in the Risk Management Manual 9.7-6. If an employee chooses to use leave to supplement their benefits the disability check stubs must be turned over to the agency payroll clerk to receive this benefit. The amount paid by WSI will be deducted from your paycheck. State law prohibits employees from receiving both worker's compensation benefits and full leave benefits simultaneously.

Worker's compensation benefits are not taxable. Therefore, when an employee turns over a copy of the disability check stub, the following adjustments should be made:

A) Payroll

Make a negative one-time adjustment for the amount of the worker's compensation check. (It will be a reduction of pay). The employee will keep the worker's compensation check.

B) Leave Adjustment

- Determine difference between regular pay and amount paid by worker's compensation for the hours gone.
- Find out the hourly rate for the month that the person was gone, then take the hourly rate times the number of hours gone that month.
- Determine what this amount is equal to in leave.
- Adjust the leave taken. First annual leave and/or comp is reinstated and then sick leave.
- If a holiday falls within the timeframe that worker's compensation is received, the holiday needs to be docked from the hours adjusted back. The hours adjusted back are figured only on the leave hours that were taken.

Example

- Monthly salary \$1600 – worker's compensation paid \$500
- Employee off 9 days = 9 days X 8 hrs/day = 72 hours
- 22 days in the month x 8 hrs/day = 176 hours in the month.
- $\$1600/176 = \9.09 (hourly rate)
- $\$9.09 \times 72 \text{ hours} = \654.48
- $\$654.48 - \$500 \text{ (WC payment)} = \154.48
- $\$154.48/\$9.09 = 17 \text{ hours}$ leave employee should be docked.
- Reinstated 55 hours of leave (72 hours taken – 17 hours that should have been used)

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Expenditure and Revenue Policies

August 1, 2007

Policy 200 - Financial Statement — Fiscal Year Cutoff

Every agency and institution is required to identify and record liabilities, receivables, inventories, and other financial statement data at the close of each fiscal year. The financial data must be reported in accordance with generally accepted accounting principles relating to year-end accruals of receipts and expenditures.

The accounting system allows transactions to be applied to the previous month. Expenditures incurred in June and paid in July should have an apply-back date of June. Receivables deposited in July for June activities should also have an apply-back date of June.

The general rule is that expenditures are to be charged to the fiscal year in which the goods or services were received. Guidance can be found in the Office of Management and Budget's (OMB) Fiscal and Administrative Policy 201. According to that policy, "... all goods and services ordered and received prior to June 30 must be charged to the biennial appropriation for the period ending June 30. Goods and services received after June 30 are obligations of the biennial appropriation beginning July 1." It further states "This policy prohibits receiving goods and services in July and charging the cost to the previous biennium, as well as improperly charging a new biennium for past biennial costs." Although the OMB policy refers to the end of a biennium, the same accounting guidance is applicable for the first fiscal year of a biennium.

In certain cases, expenditures are allowed to be paid prior to the goods or services being received. One instance is when prepayment is a requirement of the contract, such as in the case of certain rental payments or insurance payments. Another instance is when a discount is offered for early payment, such as when purchasing airline tickets. However, there are very few exceptions to the general rule.

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Expenditure and Revenue Policies

August 1, 2007

Policy 201 - Biennium-end Closing of Accounts

As stated in Policy 200, every agency and institution is required to identify and record liabilities, receivables, inventories, and other financial statement data at the close of each fiscal year.

Additional procedures are required at the close of the biennium in order to comply with legislative intent and appropriation laws.

Specifically, all goods and services ordered and received prior to June 30 must be charged to the biennial appropriation for the period ending June 30. Goods and services received after June 30 are obligations of the biennial appropriation beginning July 1.

This policy prohibits receiving goods and services in July and charging the cost to the previous biennium, as well as improperly charging a new biennium for past biennial costs.

NOTE: All purchase orders or contracts **must** be issued to include the wording “*payment contingent upon availability of funds*”. This will be the policy upon which OMB will approve and record appropriation expenditures, and upon which the State Auditor will base an examination.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 202 - Control Over Rate of Expenditures

At the start of each biennium all state agencies and institutions should distribute their appropriations on the state accounting system. These should be distributed at least at the department ID level. To allow the Budget Office to control the rate of expenditures as required in NDCC 54-44.1-03, Section 5, agencies may allot their appropriations by month. The state accounting system allows monthly expenditure estimates and will provide comparisons of monthly estimates to actual expenditures.

If the agency's total appropriation authority is adjusted during a biennium, **it is the agency's responsibility** to adjust the organizational budget detail that had previously been set up on the accounting system to reflect the changes in the total appropriation. OMB is responsible for adjusting the Appropriation and Appropriation Line budget amounts.

Whenever an agency or institution foresees a possible budgeting problem, **OMB must be notified**. The notification will, at a minimum, include the fiscal impact, the circumstances causing the possible budget problem, and alternative courses of action the agency or institution is examining to alleviate it.

These requirements are in accordance with the responsibilities and power granted the Office of the Budget by NDCC Chapter 54-44.1.

Appropriation expenditures must be consistent with the requirements of Section 54-27-10 of the NDCC, which reserves 25 percent of agency budgets for salaries and operating expenses for the last six months of a biennium.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 203 - Certification of Unexpended General Fund

Section 54-44.1-11 of the NDCC requires that 30 days after the close of each biennial period all unexpended appropriations or balances of appropriations shall be canceled.

When an agency or institution is funded only by general fund money, the appropriation will be canceled.

When an agency or institution is funded by the general fund, and federal or other funds, a certificate is necessary to provide accurate information on the unexpended general fund authority.

This certification is required to be filed with OMB following the close of each biennium. All such certifications are subject to audit.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 204 - Requests for Emergency Commission Action

Requests for Emergency Commission action will be submitted to the Secretary of State as the need arises. The requests will be retained by the Secretary of State until a meeting has been arranged.

All requests for Emergency Commission action must be submitted on the standard format approved by the Commission. These forms are available from the Secretary of State.

Five copies of all Emergency Commission requests in addition to the original must be submitted to the Secretary of State. OMB receives a copy from the Secretary of State.

OMB is the statutory counsel to the Emergency Commission, and will review, analyze, and investigate all requests prior to making a recommendation for approval or disapproval to the committee.

Agencies and institutions must submit their requests prior to accepting or obligating funds associated with the requests.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 205 - Fixed Assets

In accordance with NDCC section 54-27-21, all agencies and institutions shall include all fixed assets under their control in their financial statements, except those having a value of \$5,000 or less. The State Auditor is authorized to provide for the written exemption of specific fixed assets having a value of more than \$5,000 when an exemption is justified upon generally accepted accounting principles.

In accordance with NDCC section 44-04-07, the director of each agency and institution is required to maintain a complete and current inventory record of all property of sufficient value and permanence as to render such inventory record practical. Each year, every agency and institution is to do a physical inventory (an actual verification of the inventory records via a physical observance of each item) and certify said inventory. This section requires the accountability of inventory of sufficient value and permanence in order to safeguard the assets and is independent of the \$5,000 capitalization threshold for financial statement reporting. Each agency and institution is to establish a policy that specifies the dollar level that will be used to implement the accountability threshold. The policy should also include the inventory of sensitive items (e.g. personal computers, printers, televisions, cameras, PDA's, cell phones, power tools, firearms). The policy should also take into account the agency or institution's insurance needs. Without adequate records, insurance claims may be disallowed. Each policy will be examined for reasonableness by the State Auditor at the time of audit.

See the Fixed Asset Manual for the statewide fixed asset policies at
<http://www.nd.gov/fiscal/manindex.html>.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 206 – PeopleSoft Security Requests/Access

With the State's implementation of PeopleSoft Financials, agencies are now required to complete the forms below and submit them to the Office of Management and Budget, where they will be kept on file.

1. Each agency with access to PeopleSoft Financials must complete SFN 54417, "Agency Personnel for Authorizing Security for PeopleSoft Applications." This form is available on the E-Forms web site maintained by ITD at www.state.nd.us/eforms/Doc/sfn54417.pdf. This form authorizes employers to submit Security Access Request Forms for their agency. SFN 54417 must be signed by an Agency Administrator or Agency Head. This form will need to be updated with personnel changes in the agency.
2. Once this form has been filed at OMB, agency personnel listed on SFN 54417 may submit SFN 54418 for any adds, deletes, or changes to security access for PeopleSoft financials. This form is available at on ITD's E-Forms directory at www.state.nd.us/eforms/Doc/sfn54418.pdf. This form contains a list of roles available to access various modules within PeopleSoft Financials. Some of these roles involve approval authority for accounts payable vouchers, journal vouchers, and IDB's to replace SFN 7012. Any form not signed by an authorized requestor as listed on SFN 54417 will be returned to the agency by OMB. NOTE: This form will frequently change to reflect corrections or additions of new roles created.
3. There are two methods available to agencies for submitting SFN 54418 to the Office of Management and Budget, either in paper format or electronically:
 - a. The form found at <http://www.state.nd.us/eforms/Doc/sfn54418.pdf> is fillable online, but it must then be printed out, signed by authorized agency personnel, and submitted to Brian Bartz at OMB.
 - b. If an agency wishes to submit SFN 54418 electronically instead, an Excel version can be found at <http://www.nd.gov/fiscal/docs/sfn54418.xls>. This site is maintained by OMB. Once this spreadsheet version is completed and saved, it should be submitted by email to heatombfin@nd.gov by an authorized requestor.

To request security access for PeopleSoft Payroll/HRMS, use [SFN 54176, PeopleSoft HRMS User Request Form](#).

Office of Management and Budget

Expenditure and Revenue Policies

March 26, 2008

Policy 207 - Promotional Expenses

Vouchers for promotional expenses will be permitted only for those groups involved in promoting North Dakota, its goods, or services. Agencies are expected to use restraint and common sense in authorizing these types of expenses.

All requests to be classified as a promotional agency must be made in writing to the Director of the Office of Management and Budget and must provide the reason(s) for being classified as such.

1. 10100 Office of the Governor (12-4-2007)
2. 11000 OMB-Human Resource Management Services-Training Programs (12-4-2007)
3. 11000 OMB-Human Resource Management Services-Career Fairs & Recruiting (03-26-08)
4. 20100 ND Department of Public Instruction-National School Lunch Week Program (12-4-2007)
5. 22600 ND State Land Department-Oil & Gas Lease Sales (12-4-2007)
6. 40500 Industrial Commission (1-28-2008)
7. 40600 ND Department of Labor (12-4-2007)
8. 47100 Bank of North Dakota (12-4-2007)
9. 47300 ND Housing Finance Agency (12-4-2007)
10. 47500 North Dakota Mill (12-4-2007)
11. 48500 Workforce Safety & Insurance-Meals for Directors during Board Meetings & retreats (12-4-2007)
12. 50400 ND Highway Patrol (1-28-2008)
13. 53000 ND Department of Corrections & Rehabilitation-Roughrider Industries (12-4-2007)
14. 54000 Office of the Adjutant General -Ghana Partnership Program (12-4-2007)
15. 54000 Office of the Adjutant General – Department of Emergency Services (03-25-2008)
16. 60100 ND Department of Commerce (12-4-2007)
17. 60200 ND Department of Agriculture (12-4-2007)
18. 60300 Dairy Promotion Commission (12-4-2007)
19. 60600 Dry Bean Council (12-4-2007)
20. 60800 ND Oilseed Council (12-4-2007)
21. 61000 ND Potato Council (12-4-2007)
22. 61100 ND Soybean Council (12-4-2007)
23. 61300 ND Dry Pea & Lentil (12-4-2007)
24. 61400 ND Corn Council (12-4-2007)
25. 61600 ND State Seed Department (1-28-2008)
26. 62400 ND Beef Commission (12-4-2007)
27. 62500 ND Wheat Commission (12-4-2007)
28. 62600 ND Barley Council (12-4-2007)
29. 66500 ND State Fair (12-4-2007)
30. 70100 State Historical Society of ND (12-4-2007)
31. 70900 Council on the Arts (12-4-2007)
32. 72000 ND Game & Fish Department (12-4-2007)
33. 75000 ND Parks & Recreation (12-4-2007)
34. 77000 ND Water Commission-Water Education for Teachers Program (12-4-2007)

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 208 - Honoraria

Payment of honoraria is not authorized if there is indication that payment is being made by a department for work or presentation by a state employee who is already being paid by the state for that work.

The department requesting the work or presentation should have a contract with the individual receiving the honorarium. Language in such a contract should indicate the individual is not receiving a salary or other remuneration from the State of North Dakota for the services performed.

If the individual is on approved annual leave from a state agency job, the circumstances should be specified in the contract.

A copy of any such contract must be on file for audit purposes.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 209 - Professional Membership Dues

Payment by the state of dues to professional organizations is not a fringe benefit for state employees.

Wherever possible, a membership should be carried in the name of the state agency and not of an individual. The idea behind this approach is to promote transferability of the benefits of the membership.

To justify the expenditure of funds, association memberships should be related to an employee's job duties or should be beneficial to the state.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 210 - Donations

Agencies should not process vouchers for donations to individuals or groups.

Where a donation represents an in-lieu-of payment for goods received, or a service performed, this policy may be waived with adequate supporting documentation.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 211 - Hosting Training Conferences, Handling Receipts and Bills

NOTE: If an agency has budgeted for a conference and the expenses of hosting the conference have been included in the agency's appropriation, the agency must charge their appropriation, rather than using the Conference Fund.

Agencies on PeopleSoft

When an agency must host a conference for which the costs will be covered by registration and/or other fees charged to the participants, the Office of Management and Budget, the Office of State Treasurer, and the Office of the State Auditor have established the following procedures:

1. All checks and cash must be deposited with the State Treasurer into the Conference Fund on PeopleSoft, fund 212.
2. Receipts must be issued for all fees collected.
3. All bills must be paid by a check drawn on the Conference Fund on PeopleSoft.
4. Within 60 days after the end of the conference, all expenses associated with the conference must be paid. Any excess receipts must be transferred to the favor of the general fund or special fund from which the agency is funded. Any extra costs become the liability of the host agency and can be paid by voucher against its budget.
5. A complete and detailed reporting of the receipts and disbursements associated with the conference will be maintained by the department and be made available to the Office of the State Auditor upon request.
6. Conference receipts may not be used to pay salary costs of any state employee.

Agencies not on PeopleSoft

1. All checks and cash must be deposited in a special checking account at the Bank of North Dakota. The Bank will provide sufficient new account checks to permit the paying of all bills at the conclusion of the conference. Two signatures will be required on the checking account and on all checks — those of the department head and of the person responsible for the details of the event.
2. All special checking accounts must be approved by the State Auditor and the State Treasurer.
3. All registration fees will be made payable to the name of the conference. Receipts must be issued for all fees collected. It is important that no checks be made payable to the State of North Dakota or any department or agency of the State of North Dakota, as these must be deposited to the credit of the general or operating fund.
4. All bills must be paid by a check drawn on the conference's special checking account at the Bank of North Dakota. All checks shall bear two signatures.

(continued)

Office of Management and Budget

Expenditure and Revenue Policies

Policy 211 (continued)

August 1, 2007

5. All expenses associated with the conference must be paid 60 days after the end of the conference, and any excess receipts must be deposited to the favor of the general fund or special fund from which the agency is funded as a receipt from the hosting agency. Any extra costs become the liability of the host agency and can be paid by voucher against its budget.
6. A complete and detailed reporting of the receipts and disbursements associated with the conference will be maintained by the department and made available to the Office of the State Auditor upon request.
7. Conference receipts may not be used to pay salary costs of any state employee.

NOTE: Policy 211 refers to internal training sessions only. Policy 211 does not apply to regional or national conferences of established associations held in North Dakota. (An example would be the Midwest State Budget Officers Association.) These types of conference expenses are not generally appropriated and therefore should not be processed through Fund 212. The agency hosting a regional or national conference should open a checking account at a local financial institution. These accounts should not be opened in the name of the state, be in any way associated with a state agency, or impose any liability on the state.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 212 - Fees Paid to a Collection Agency

Per NDCC 54-06-29, all funds collected on behalf of a state agency by a collection or credit agency must be deposited with the State Treasurer. An amount equal to the fees paid to the collection agency is appropriated as a continuing appropriation from the fund where the revenue was deposited.

When paying the collection agency, use the following PeopleSoft coding:

Account – 474015 – Fees Paid to Collection Agency

Fund - Use the same fund that was used on the original deposit

The above coding will not draw down appropriation authority.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 213 – Monitoring Of Federal Funds

Agencies are responsible for monitoring their federal funds to ensure all activity is recorded and reported properly. There are three main types of federal grants – reimbursement grants directly from a federal agency and advanced revenue grants direct from a federal agency (direct grants), and pass-through grants from another state agency/university (which should generally also be reimbursement grants).

It is recommended that a new federal fund be assigned to each new federal award to ease tracking and accountability. This is especially necessary for reimbursement grants. (There are limited instances of a “payment by unit of service” that may deviate from this procedure as approved by OMB.) Funds should be closed out once they are completed.

Reimbursement grants should always have a negative cash balance on Peoplesoft. Federal funds should only be requested after expenditures have been incurred and paid, in accordance with federal agreements.

Direct grants should have all year end accruals reported to OMB on closing packages. This includes, but is not limited to accounts payable, due to other state agencies and receivables (reimbursement grants) or deferred revenue (advance grants). For pass-through grants, agencies will report payables on closing packages, but will not report any receivables – those are determined by OMB based on the due to other state agencies amounts reported.

Agencies should monitor to ensure that each reimbursement grant at June 30 has assets equal to liabilities, when including the trial balance from PeopleSoft plus all related closing package amounts. For advanced grants, at June 30 the liabilities will be greater than the assets by the amount reported as deferred revenue.

Agencies should also be monitoring their pass-through grants for propriety.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 214 - Crediting Appropriations

An Attorney General's opinion issued October 21, 1964, is as follows:

"It is our opinion that a line item appropriated account may not be credited with refunds except where the refund is the result of an accounting or bookkeeping error. The error referred to would include instances where a warrant check has been canceled after charging same to an account or in instances where the refund is the result of an erroneous overcharge for merchandise and the overpayment is corrected by refund, or where an account was erroneously charged with an expenditure which should have been charged to another account and is so corrected."

Therefore, the only time an appropriation can be credited is as follows:

1. Emergency Commission Action.
2. The voiding of a warrant written in the current biennium.
3. A current biennium payment made in error and refunded by a vendor.
4. An overpayment made in the current biennium and refunded by a vendor.
5. Two warrants are generated in the current biennium relative to the same claim.

If a prior biennium expenditure is refunded by the vendor or a prior biennium warrant is canceled, the transaction should be recorded as revenue in the current biennium and should be budgeted accordingly.

Office of Management and Budget
Expenditure and Revenue Policies

August 1, 2007

Policy 215 - Alcoholic Beverages

Alcoholic beverages will not be provided by the agency at an agency-sponsored activity such as a staff picnic, Christmas party, etc. Attendees may be permitted to bring alcoholic beverages to the event if the attendees comply with the regulations of the facility where the event is being held.

Office of Management and Budget

Expenditure and Revenue Policies

December 1, 2007

Policy 216 - Internal Control & Fraudulent/Significant Dishonest Acts

Internal Control & Fraudulent/Significant Dishonest Acts

Fraud is defined as intentional workplace deception; lying, cheating, and stealing or the use of one's position for personal enrichment through the deliberate misuse or misapplication of the State's resources or assets. Fraud is a crime, and is also a civil law violation.

Internal control plays an important role in the prevention and detection of fraud. Examples of internal controls are, but not limited to:

- Segregation of duties - separating authorization, custody, and record keeping roles to limit risk of fraud or error by one person.
- Authorization of transactions - review of particular transactions by an appropriate person.
- Retention of records - maintaining documentation to substantiate transactions.
- Supervision or monitoring of operations - observation or review of ongoing operational activity.
- Physical safeguards - usage of items such as cameras, locks, physical barriers to protect property.
- Analysis of results - periodic and regular operational reviews, inventories, metrics, and other key performance indicators.
- IT Security - usage of items such as passwords and access logs to ensure access restricted to authorized personnel.

Everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each state agency has a particular role to play and is ultimately responsible for implementing proper internal controls within their organization.

Reporting of Fraudulent/ Significant Dishonest Acts

An employee with a reasonable basis for believing that fraudulent or other significant dishonest acts have occurred in the workplace has a responsibility to report the suspected act in a timely manner.

Reports should be made to the employee's immediate supervisor or manager, unless the employee suspects that the supervisor or manager has participated in or condoned the act. In that case, the employee should report the matter to the next highest level of supervision or management.

This policy does not prohibit prompt notification to appropriate authorities when an immediate threat to personal safety exists or other circumstances justify such notice. Upon discovering evidence of possible fraudulent or other significant dishonest acts, employees should not

Office of Management and Budget

Expenditure and Revenue Policies

confront individuals suspected of wrongdoing or initiate fraud investigations on their own because such actions may compromise any ensuing investigation.

Employees should not make statements or disclosures knowing they are false or in reckless disregard of the truth. Such false reports may be cause for disciplinary action up to and including termination.

Office of Management and Budget

Purchasing

August 1, 2007

Policy 300 - Purchasing Card

General Policy

The State has authorized the use of a purchasing card for individual transactions. **(Use of the purchasing card does not exempt the agency or its employees from the purchasing / procurement requirements of the State of North Dakota.)** Individual credit limits, including card and cycle limits, vary as determined by agency. To assure the effectiveness of the program, the policy and procedures in this section must be followed by agencies using the purchasing card. Failure to use the purchasing card in accordance with applicable policies and procedures may result in revocation of the purchasing card and may involve appropriate disciplinary action, up to and including termination and prosecution. Policy and procedure violations include, but are not limited to:

- Purchasing items with the card for personal use.
- Failure to return the card when reassigned, terminated, or upon request.
- Failure to submit proper transaction documentation to the appropriate person in a timely manner.
- Transferring assignment of the card to another individual.
- Repeatedly allowing sales tax to be charged when the purchases are tax exempt.

To maximize the benefits of using the card, all purchasing card transactions will be paid centrally by the Office of Management and Budget (OMB). The transactions will be posted to PeopleSoft via the default account number assigned to each purchasing card. The default account number will identify transactions as to operating unit, fund, department ID, and class. All purchasing card transactions will be assigned a default account number of 621375 – “Purchasing Card Transactions”. If reallocation of purchasing card transactions is necessary, agencies have the ability to reallocate in PeopleSoft before the payment is made to the credit card company.

The purchasing card should not be used for tax (1099) reportable services to prevent difficulties in reporting to the IRS. It is acceptable to use the card for training, conference registrations, and other non-reportable services. The agency is responsible for any tax (1099) reporting requirements that result from using the purchasing card for such services.

To help ensure the adequacy of internal control surrounding agency purchasing card programs, the agency purchasing card administrator or authorized signer(s) may not be cardholders. However, if agency size or other constraints make this unfeasible, OMB may assume card maintenance duties for an agency. Contact OMB for more information regarding card maintenance.

(continued)

Office of Management and Budget

Purchasing

Policy 300 (continued)

August 1, 2007

PeopleSoft Processing

OMB will electronically download transactions into PeopleSoft periodically throughout the statement billing period. Agencies will be notified of these downloads and will be able to reallocate or make changes to the default coding. OMB will create a voucher in PeopleSoft to generate an ACH payment to the credit card company. Agencies will receive an ACH advice slip showing them the total amount paid by their Business Unit.

Purchasing Card Issuance

At the time a purchasing card is requested for an employee, the agency's purchasing card administrator needs to enter the account number or default account number on the cardholder setup form. The account number is associated with the purchasing card and identifies the operating unit, fund, department ID, and class. This will be the default account number setup in PeopleSoft and will be used when posting purchasing card transactions.

Responsibilities

The following sections are the minimum requirements for the responsibilities of the cardholder, and reviewer:

Cardholder

Each cardholder is responsible for the following activities:

- Safeguard the purchasing card.
- Keep receipts from each purchase.
- Receive cardholder statement from purchasing card company.
- Reconcile cardholder statement and receipts. Sign and date cardholder statement to attest that all purchases are for state business and comply with all applicable rules and regulations.
- Forward the signed and reconciled cardholder statement with original receipts to designated reviewer.
- Notify supervisor, OMB, and GE immediately in the event of a lost or stolen purchasing card.
- Destroy and discard expired purchasing card.
- Give purchasing card to supervisor if employment is terminated.
- Resolve disputes as described below and in the cardholder user manual.

Returns, Credits, and Disputed Items

The cardholder has the responsibility to follow up with the merchant or bank on any erroneous charges, disputed items, or returns as soon as possible. Disputed billings can result from failure to receive the goods charged, defective merchandise, incorrect amounts, duplicate charges, credit not processed, as well as fraud and misuse.

(continued)

Office of Management and Budget

Purchasing

Policy 300 (continued)

August 1, 2007

If the cardholder has a problem with a purchased item or a billing resulting from the use of the purchasing card, they should attempt to reach a resolution with the supplier. In most cases, disputes may be resolved directly between the cardholder and the supplier.

Credits

Referring to the cardholder receipt, request from the merchant to record a credit on the card account. If the item was shipped, refer to the shipping form.

Returns

The supplier should issue credit for any item approved for return. The credit should appear on a subsequent statement. Returned items that were purchased with the purchasing card must be credited back to the card. Do not accept a refund in cash or check. Keep documentation of credits, returns, and exchanges.

Disputed Items

If a resolution on a disputed charge cannot be reached with the supplier, complete the "ELAN Visa Purchasing Card Billing Inquiry" form and send it to ELAN Financial Services with a copy to the agency purchasing card administrator. This written notice of dispute must be received by ELAN within 60 days of the date that ELAN sent the first statement or transaction file.

Reviewer

The cardholder's supervisor, purchasing card administrator or another designated employee (other than cardholder) should:

- Review information submitted by cardholder. The amount of review will depend on a number of factors but the reviewer should, at a minimum, periodically compare receipts to the cardholder statement submitted by the cardholder.
- Verify purchases are for use in state business. Sign cardholder statement to certify that purchases are for state business purposes and comply with appropriate rules and regulations to the best of the reviewer's knowledge.
- Cardholder statements with original receipts must be maintained on file.
- The card must not be used for personal transactions. If personal transactions occur, the employee must repay the state, including any applicable sales tax. Even though tax is not charged by the merchant, the employee must remit the tax to the State Tax Commissioner.
- If it is determined that personal or other unauthorized charges are occurring on the purchasing card, appropriate steps, up to and including dismissal, will be taken to resolve the misuse/abuse of the purchasing card.

Office of Management and Budget
Purchasing

August 1, 2007

Policy 312 - Leases and Lease-Purchase Agreements

Any state agency or institution that acquires the use of an asset, excluding real estate, as the result of a lease arrangement will prepare a written analysis documenting the decision to acquire the use of the asset. The agency or institution will make the analysis available to the auditor for review during the audit for the fiscal period during which the decision was made. An analysis worksheet is available on the OMB website at <http://www.nd.gov/fiscal>

The agency should request that the vendor provide the following information for analysis of the lease commitment:

1. The name of the lessor.
2. The inception date of the lease is the date of the lease agreement or commitment, if earlier.
3. The term of the lease in number of months.
4. The monthly/annual payment amount.
5. The amount of executor costs by type. Types of executor costs include insurance, maintenance contracts, and taxes whether paid by the lessor or lessee that are included in the rental payments.
6. The estimated purchase price (i.e. fair value) of the leased property at the inception of the lease. This is the price for which the property could be sold in an arm's length transaction between unrelated parties.
 - a) If the lessor is a manufacturer or a dealer, the fair value of the asset at the inception of the lease will be its normal selling price reflecting any volume or trade discount as applicable. This price should consider prevailing market conditions for the asset and be reduced if there are unfavorable market conditions.
 - b) If the lessor is not a manufacturer or dealer, the fair value of the asset will normally be its cost reflecting any volume or trade discounts as applicable.
7. The purchase price at the termination of the lease. This is needed to determine if the lease contains a bargain purchase option. If this purchase price is considered by the vendor to be a price sufficiently lower than the expected fair value of the asset at the termination of the lease - the vendor should provide comments on this fact.
8. A comment from the vendor stating whether or not the lease transfers ownership of the leased property to the state at the end of the lease term.
9. The estimated economic life of the leased property. This is the estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease.
10. The interest rate (if applicable) used by the lessor to determine the rental payments.

Office of Management and Budget
Travel

August 1, 2007

Policy 502 - Travel Vouchers for Non-State Employees

Non-state employees will be paid the same rates as state employees, whenever possible. In order to obtain the state rate for a non-state employee, a state agency may pay the lodging facility directly for his/her lodging expense.

Office of Management and Budget

Travel

August 1, 2007

Policy 503 - Travel Expenses for Committee Meetings

Since memberships on work groups or committees are based primarily on the relationship of the agency to the subject the committee deals with, it is only proper that the costs involved be reflected in that agency's budget.

It is the policy of OMB that the travel expenses of a state employee representing an agency be paid from that agency budget.

If a state employee is requested to travel by a state agency other than the employee's hiring agency, it is proper that the agency requesting the travel pay for the expenses.

Office of Management and Budget

Travel

August 1, 2007

Policy 505 - Reimbursement for Meals and Lodging

NDCC Chapter 44-08-04 provides for reimbursement of employee expenses for meals and lodging while an employee is away from their normal working and living residence.

If meals are included as part of a registration fee for a conference, seminar, or other meeting, the employee should be reimbursed for the entire registration fee, if paid by the employee. However, the employee cannot claim reimbursement for the applicable meal allowance for that quarter. An employee should be reimbursed for meals paid by the employee while attending a meeting at the request of, or on behalf of, the state or any of its subdivisions, agencies, bureaus, boards, or commissions, up to the allowable rates established below.

Chapter 44-08-04 provides that reimbursement is allowed only for overnight travel and other travel while away from the normal place of employment for four hours or more. Employees will not be reimbursed for the first quarter if travel began after 7:00 a.m. In order to claim expenses for the second and third quarters, the employee must have been in travel status one hour before the start of the quarter being claimed, and travel status must extend at least one hour into the quarter being claimed. The expense allowance for each quarter of any 24-hour period effective **August 1, 2007**, is as follows:

<u>Meal Allowance</u>	<u>In-State</u>	<u>Out-of-State</u>
1. First quarter, 6 a.m. to 12 noon	\$5.00	20% at GSA daily rate
2. Second quarter, 12 noon to 6 p.m.	\$7.50	30% of GSA daily rate
3. Third quarter, 6 p.m. to 12 midnight	\$12.50	50% of GSA daily rate
4. Fourth quarter, 12 midnight to 6 a.m.		

In-State Lodging:

Maximum of \$55 plus any additional applicable state and local taxes on lodging. If the room is more than \$55, the individual may only be reimbursed for the additional taxes based on \$55, and the additional taxes must be pro-rated. For example; if the room is \$65 and taxes are \$13, the individual will be reimbursed \$55 plus $(55 / 65 \times 13) = \$11$ for taxes.

Out-of-State Lodging:

Actual lodging expense.

Those persons engaged in travel outside of the continental United States shall be reimbursed for meals as follows:

- The allowance for meals in noncontinental United States and overseas nonforeign areas, including Alaska, Hawaii, and Guam, is equal to the per diem meals rate in the city of which a
- (continued)

Office of Management and Budget

Travel

Policy 505 (continued)

August 1, 2007

claim is made on that day as established by rule for federal employees established by the United States per diem committee.

- The allowance for meals outside the United States is equal to the per diem meals rate in the city for which a claim is made on that day as established by rule for federal employees established by the United States department of state.
- To find the applicable meal rates outside the contiguous 48 states, use the following website <https://secureapp2.hqda.pentagon.mil/perdiem/perdiemrates.html> and use the column titled “Local Meals Rate.”
- The standard rate for the continental United States is \$39 effective October 1, 2006. To find domestic per diem rates that are above this rate, use the following website: http://www.gsa.gov/Portal/gsa/ep/contentView.do?programId=9704&channelId=-15943&oooid=16365&contentId=17943&pageTypeId=8203&contentType=GSA_BASIC&programPage=%2Fep%2Fprogram%2FgsaBasic.jsp&P=MTT.

Verification of claims via receipt is not required for the first three quarters but is required for lodging (see Policy 513 also). Receipts are also required for each taxi fare in excess of \$10 and for other miscellaneous expenses in excess of \$10. Parking fees may be claimed only with a receipt from a hotel/motel or airport.

The head of any department, institution, or agency may set a rate for out-of-state travel, which is less than that set forth by statute.

NOTE: Before any allowance for such mileage or travel expenses will be made, the official, deputy, assistant, clerk, or other employee will file with the agency, an itemized statement showing mileage traveled, the purpose thereof, and such other information and documentation as may be prescribed by the IRS, or an agency. Statements such as “to attend a meeting” etc., should not be accepted as sufficient documentation for purpose of travel.

If an employee is not claiming reimbursement for lodging, please indicate such on the Travel Expense Voucher. A fillable and printable Adobe (.pdf) Travel Expense Voucher can be found at: <http://www.nd.gov/eforms/Doc/sfn52785.pdf>

If an employee is claiming reimbursement for meals for travel when no overnight stay is involved, the meal reimbursement is taxable. When completing the Travel Expense Voucher, taxable meals must be noted accordingly. The employee will receive the full meal reimbursement and the taxes will be withheld through the payroll system during the next payroll cycle.

See Out-of-State Meal Allowance Rates at:
<http://www.nd.gov/fiscal/docs/accounting/perdiem2009.pdf>

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Policy 506 - Travel Advances

The following allowances are made for travel advances pursuant to NDCC Chapter 44-08-04.2.

"Any state agency shall advance at the request of the agency head for employees of that agency funds to be used for payment of meal and lodging expenses incurred while the official or employee is traveling on official business of this state, provided that such travel must be planned to be **in excess of five days per month**, whether or not consecutive, and provided that the funds advanced do not exceed eighty percent of estimated expenses for the period. Travel advances must be approved by the chief executive officer or a designee of the agency involved. Funds advanced for meals and lodging under this section shall be accounted for as required under section 44-08-04 for travel."

These funds must also be reflected on the travel voucher subsequent to the dates of travel.

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Policy 507 - Travel in City of Employment
NDCC 54-06-09

Necessary official travel by state employees in their city of employment will be reimbursed at a rate not to exceed 45¢ per mile.

Mileage from a normal workstation to a conference or meeting is reimbursable, if an employee actually reports to work prior to attendance at the meeting. However, mileage for travel from an employee's residence directly to the conference/meeting site is not reimbursable, since it is considered normal commuting travel.

Expenses for mileage only, which are routinely incurred in the performance of employment duties, should not be claimed until a minimum of \$10 in reimbursement is due. However, such reimbursement should be made at least quarterly, without regard for the dollar amount.

Office of Management and Budget

Travel

August 1, 2007

Policy 508 – Per Diem Allowance for Long-term Travel

NDCC Chapter 44-08-04.1 provides for per diem allowance for long-term travel as follows:

“With the approval of the office of the budget, any state agency may adopt a per diem allowance in lieu of expenses as allowed by section 44-08-04 for its officials and employees whose official duties require that they remain on travel status away from their normal working and living residence for extended periods of time. No per diem allowed may be in excess of the total allowance for meals and lodging as allowed by section 44-08-04. Travel status of one week or less may not be considered long-term or extended travel. Rental receipts must be used to verify travel status under this section.”

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October 1, 2008

Policy 510 - Commercial Air Travel

Employees may be reimbursed for actual airfares paid for travel on official state business. Proper supporting documentation must be attached to the travel voucher as a receipt.

A ticket may be issued electronically or by paper copy.

Charges to Travel Agents: If a department allows employees to charge airfare to the state via a travel agency, the following control procedures must be utilized to assure internal control and proper payment and credit:

1. The travel agent should be advised of the proper state billing procedures and accurate address.
2. Employees must submit proper supporting documentation verifying the purchase to their departmental personnel responsible for payment of bills.
3. The department's fiscal personnel will match all travel agency charges to the ticket to assure proper charges and should also verify that the tickets have actually been used.
4. Unused tickets which have been charged to the state must be submitted to the department's fiscal personnel or travel coordinator for refund, not directly to the travel agency. The fiscal staff should make appropriate note of the return ticket prior to payment of the travel agency billing to assure proper credit.

Prepayment of Airfare: Agencies may purchase airline tickets in advance of anticipated travel to take advantage of reduced or discounted fares.

Payment of Luggage Charges: Employees should be reimbursed for their first piece of checked luggage. It is up to each agency to decide if employees should be reimbursed for additional checked luggage, overweight luggage and subsequent charges. No receipts are needed for reimbursement of these charges. The cost for the checked luggage should be charged to account code 521070, Out of State – Air Transportation Cost.

NOTE: At the agency's discretion, employees may travel on the weekend if it results in savings. In addition, savings may also result from booking a rental car in conjunction with the purchase of an airline ticket. This discount may be received even though a rental car is not checked out. You need only book and pay for the rental car - you do not have to use it. If a rental car is booked for state business, there is no need to purchase insurance because it is covered by the Risk Management Fund.

Office of Management and Budget

Travel

August 1, 2007

Policy 511 - Use of Personal Vehicle

NDCC 54-06-09

Per NDCC 54-06-09: "An official, deputy, assistant, clerk, or other employee, when required to travel by motor vehicle or truck in the performance of official duty, shall use a state-owned vehicle, whenever possible, unless exempted under section 24-02-03.3."

When an employee drives a state fleet vehicle, the State's liability coverage is primary should an accident occur. If an employee drives a personal vehicle on state business, the employee's personal insurance is primary. If an employee must drive a personal vehicle because no state fleet vehicles are available, then the State would have primary responsibility.

If an employee is allowed to use a personal vehicle, reimbursement will be made according to the rates below. Reimbursement for mileage for use of personal vehicles within the state is allowed as follows:

1. The sum of 45¢ per mile actually and necessarily traveled in the performance of official duty when such travel is by motor vehicle.
2. The sum of 70¢ per mile when such travel is by private airplane. (Refer to Policy 519 also).

Reimbursement for mileage for use of personal vehicles outside of the State is allowed as follows:

1. When airplane and taxi fares are accepted in lieu of mileage.
2. When reimbursement is at a rate of 45¢ per mile to a geographic point 300 miles each way from the borders of the state, and 18¢ per mile for the remaining distance.

PROVIDED THAT the lesser amount of (1) or (2) above shall be allowed. If more than one state employee travels in the same vehicle, 45¢ per mile for the entire trip will be allowed.

The rate for aircraft is 70¢ per mile, subject to provisions of NDCC 54-06-09.

When official travel is done by motor vehicle or airplane that is owned by the state or by any department or political subdivision thereof, no allowance will be made or paid for such mileage.

If a personal vehicle is used in lieu of air, for the employee's convenience, meals and motel expenses will be allowed for a maximum of one day each way.

(continued)

Office of Management and Budget

Travel

Policy 511 (continued)

August 1, 2007

State employees permanently located outside the state or on assignments outside the state for an indefinite period of time, exceeding at least 30 consecutive days, will be allowed and paid 45¢ per mile for each mile traveled in the performance of official duty when such travel is by motor vehicle. The 300-mile restriction in No. 2 above does not apply in this instance.

State agencies may set a rate for personal car mileage that is less than the rates stated in this policy.

This policy assumes that, generally, personal vehicles are used for out-of-state travel for reasons of personal convenience.

Office of Management and Budget

Travel

August 1, 2007

Policy 513 - Lodging Receipts and Payments

Only receipts from bona fide lodging establishments should be accepted for reimbursement by the agency. Receipts from relatives for the provision of lodging services will not be acceptable. The receipt must be the official receipt from the lodging establishment and not a charge slip from a credit card system.

Bona fide lodging establishments include:

Hotels, motels, college dormitories, hospitals, military facilities, and similar institutions.

1. *Lodging charges when accompanied by an individual not eligible for reimbursement:* when accompanied on a state authorized trip by a spouse or traveling companion, the state employee must have the lodging establishment clearly certify the room rate for a single person and only that amount may be claimed.
2. *Lodging charges — two employees sharing lodging:* if two state employees are sharing lodging accommodations, the actual cost of the room must be split evenly and each must have a separate receipt.
Example: Where a double rate is \$80 and a single rate is \$50, the state will reimburse only the actual cost to the travelers, or \$40 each (not \$50 each).
3. *Lodging prepaid or billed directly to agency.* Per NDCC 44-08-04.5: Section 1 allows a state agency to prepay the lodging expense or have the expense directly billed to the agency if the Office of Management and Budget has obtained a sales tax exemption from the destination state. States allowing the exemption are Colorado, Florida, Kentucky, Iowa, Ohio, New York, West Virginia and possibly South Dakota. Idaho allows the exemption for higher ed only and New Jersey for public schools only. If travel is planned to a state allowing the sales tax exemption, contact OMB for more information. Section 2 states that if a state agency, board, bureau, or institution makes travel plans involving a lodging expense, the agency, board, bureau, or institution may arrange with the lodging provider or travel agency to have the expense prepaid by the agency or billed directly to the agency.
4. *State payment for guaranteed lodging:* if an employee or an agency guarantees a room in-state or out-of-state by making an irrevocable commitment to pay for it and the individual subsequently does not travel, the state may make the payment upon the receipt of a verified statement from the individual, approved by the supervisor, which details why the travel did not take place as planned.

Office of Management and Budget
Travel

August 1, 2007

Policy 514 - Personal Telephone Expenses while Traveling

Per NDCC 54-06-26. Use of state telephones by state officials and employees:

“Notwithstanding any provision of law, an appointed or elected state official or a state employee may use a state telephone to receive or place a local call for essential personal purposes to the extent that use does not interfere with the functions of the official’s or employee’s agency, department or institution. When an appointed or elected state official or state employee is away from the official’s or employee’s residence for official state business and long-distance tolls would apply for the official or employee to call the official’s or employee’s city of residence, the official or employee is entitled to make at least one long-distance call per day at state expense. Each state agency, department, or institution may establish guidelines defining reasonable and appropriate use of state telephones for essential personal purposes.”

Office of Management and Budget
Travel

August 1, 2007

Policy 515 - Coffee and Soft Drink Expense

It is realized that coffee and soft drinks are an important part of meetings required by state agencies to inform and train the general public, interested parties, consultants, etc. Payment for coffee and soft drinks will be honored for processing either by travel expense voucher or miscellaneous claim for payment.

Coffee and soft drinks for state employees' during staff meetings are not allowed.

Office of Management and Budget
Travel

August 1, 2007

Policy 516 - Miscellaneous Charges on Travel Vouchers
(Reimbursable and Non-reimbursable Expenses)

On travel vouchers, whenever a charge is made under the “Miscellaneous” column, it requires detailed explanation and a receipt must be attached if the item is greater than \$10.

Examples of non-reimbursable expenses are:

1. Alcoholic beverages
2. Entertainment
3. Late check-out charges
4. Parking tickets or other traffic tickets
5. Laundry

Exceptions to this policy may be made by an agency director for unusual or extenuating circumstances such as international travel or travel extending ten days or longer.

Office of Management and Budget
Travel

August 1, 2007

Policy 517 - Reimbursement for Expenses of Job Interviews

In some instances the State of North Dakota may pay the reasonable costs of interviewees for jobs with the state, provided reimbursement for meals and lodging is at the same rate as for employees. Reimbursement of airfare or passage by common carrier will be permitted by miscellaneous voucher.

Office of Management and Budget
Travel

August 1, 2007

Policy 518 - Car Rental

It is generally the policy to discourage car rentals unless their cost effectiveness is self-evident. The state will pay for car rental if the use of the vehicle is sufficient to justify that mode of travel.

When renting a car for state business, purchase of additional insurance is not necessary because it is covered by the Risk Management Fund when traveling within the scope of employment.

Office of Management and Budget

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August 1, 2007

Policy 519 - Charter, Lease, or Rental of Aircraft

The philosophy governing the necessary travel of state employees must be to transport personnel to and from meetings in the most cost-effective manner possible.

NDCC Chapter 54-06-09 provides the following requirements for travel by aircraft:

1. The mileage rate for allowable private aircraft travel is 70¢ per mile. Mileage by private aircraft shall be computed by actual air mileage when only one state employee or official is traveling; if two or more state employees or officials are traveling by private aircraft, the actual mileage shall be based on the road mileage between the geographical points. Reimbursement for private airplane travel shall be calculated as follows:
 - a. If reimbursement is for one properly authorized and reimbursable passenger, reimbursement shall be paid on a per-mile basis as provided in this subsection.
 - b. If reimbursement is claimed for a chartered private aircraft, reimbursement may not exceed the cost of regular coach fare on a commercial flight, if one is scheduled between the point of departure, point of destination, and return, for each properly authorized and reimbursable passenger on the charter flight; or, where there is no such regularly scheduled commercial flight, the actual cost of the charter.
2. If a community has more than one fixed base aviation operator, price quotes are required from all of them.

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January 1, 2009

Policy 521 - Moving Expenses

Permanent Employees: Chapter NDCC 44-08-04.3 allows for payment of moving expenses for “a permanent employee who has been employed in that department, institution or agency not less than one year” when the employee is transferred to another city for new duty assignment “of a permanent nature within that department, institution or agency.”

Moving expenses are to be processed on a claim for payment in PeopleSoft as follows:

PeopleSoft Account 521050

Reimbursement for allowable moving expenses which are not taxable to the employee but are reportable to the Internal Revenue Service (IRS):

1. All actual costs of moving personal household goods and furnishings, not to exceed 11,000 lbs. (4,989.60 kilograms).
2. Transportation, of one vehicle, (not to exceed 24¢ per mile for travel by car) and lodging expenses incurred by the employee and immediate family while en route to the employee's new duty station. This does not include meals.

Peoplesoft Account 521055

Reimbursement for taxable moving expenses reportable to the IRS:

1. Meal expense incurred by the employee and immediate family while en route to the new duty station.
2. Transportation expenses are limited to one round trip, and actual meal and lodging costs for a pre-move house-hunting trip, for the employee and spouse, for three days.
3. The expenses for the employee and immediate family while occupying temporary quarters within the state not to exceed 30 days.
4. Reimbursement for mileage that exceeds 24¢ per mile for travel by car while enroute to the employee's new duty station.

Limitation: reimbursement for the relocation of permanent employees is limited to \$5,000 by statute. Verification for expenses will be a paid receipt from a licensed moving company, highway mileage between duty stations, meal, and lodging receipts.

(continued)

Office of Management and Budget

Travel

Policy 521 (continued)

January 1, 2009

New Employees: payment of moving expenses for newly hired employees is not specifically addressed by statute. However, it is recognized that market conditions for some higher-level, professional positions involve competitive recruitment activity that often requires payment of moving expenses as a part of the employment agreement.

Agency administrators may include moving expense reimbursement as part of a job offer when it can be demonstrated that local employment market conditions and job requirements are such that recruitment outside of the immediate geographical area was necessary and where such reimbursement is necessary to attract the best candidate.

Reimbursement is not limited to \$5,000 for new employees.

Office of Management and Budget

Travel

August 1, 2007

Policy 523 - Cell Phones

The Office of Management and Budget encourages the use of a state AT&T card to make long distance phone calls when the employee is away from his normal workplace. However, since cell phones are becoming more commonplace, OMB has established these guidelines regarding personal cell phones used for state business.

It will be at the discretion of the state agency whether to reimburse their employees for state business phone calls made on an employee's personal cell phone. At a minimum, an employee should receive prior approval from their state agency to use their personal cell phone for state business. If an agency does decide to reimburse their employees, they may do so at rates less than those stated below. In determining whether or not to reimburse employees for business calls made on an employee's personal cell phone, OMB requests that the following be considered:

Cell Phones Owned by the Employee

Non-eligible costs:

- The state should not reimburse an employee for the monthly fee, activation fee, cost of the cell phone, or any options selected by the employee when purchasing the service. It is the employee's personal choice to own a cell phone, therefore, these expenses should not be reimbursed.
- The state should not reimburse an employee for any "free minutes" used by the employee regardless if the calls were for personal or business use.

Eligible costs:

- If an employee uses a cell phone to place a long-distance call for state business, the employee may be reimbursed for the actual cost of the call, including the tower access charge.
- An employee should be eligible for reimbursement for business calls made on a cell phone only if the employee has exceeded the "free minutes" given to the employee by his cell phone provider. Reimbursement should be limited to the lesser of:
 1. The minutes in excess of the "free minutes" received for the month
 - or
 2. The total minutes used for state business.
- The employee should be reimbursed at the same rate the cell phone provider charged the employee.

Example 1: Assume an employee had 100 "free minutes" - made 25 minutes of business calls and 90 minutes of personal calls for a grand total of 115 minutes. The employee may be reimbursed for 15 minutes.

(continued)

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Travel

Policy 523 (continued)

August 1, 2007

Example 2: Assume an employee had 100 “free minutes” - made 5 minutes of business calls and 120 minutes of personal calls for a grand total of 125 minutes. The employee may be reimbursed for 5 minutes.

Example 3: Assume an employee had 100 “free minutes” - made 5 minutes of business calls and 80 minutes of personal calls for a grand total of 85 minutes. The employee should not be reimbursed for any minutes.

Cell Phones Owned by the State

- As stated in Policy 514, “Each state agency may establish guidelines defining reasonable and appropriate use of state telephones for essential personal business.” If an agency determines an employee has abused the use of a state owned cell phone for personal business, the employee may be required to reimburse the state for the personal minutes used at the rate billed to the state entity by the cell phone provider.

Office of Management and Budget

Appendix A

Fixed Asset
Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

Fixed Asset Policies

GENERAL INFORMATION

Purpose:

The purpose of this manual is to define the financial accounting policies of the State of North Dakota as established by the Office of Management and Budget (OMB) for fixed assets.

Policy:

1. OMB will provide and maintain this policies manual to provide information covering statewide financial accounting policies for fixed assets.
2. OMB will insure that all financial accounting policies contribute to the financial goal of safeguarding assets and providing accurate and useable financial information in accordance with Generally Accepted Accounting Principles (GAAP).
3. All agencies will comply with all financial accounting policies promulgated by OMB. Any departure from these policies must be approved in writing by OMB.
4. Each agency/department is encouraged to develop its own policy for control and protection of assets susceptible to loss or theft.

Background:

Policies are basic concepts that are not subject to routine and periodic review and which provide a statement of philosophy of financial operations for State government. These policies are meant to provide guidance in accounting for fixed assets.

Responsibility:

1. OMB will ensure that all policies adopted are consistent with State statutes and will enhance the main policy of safeguarding assets and providing accurate and useable financial information in accordance with Generally Accepted Accounting Principles (GAAP).
2. The agency/department heads will ensure adherence to all adopted policies. They will also ensure that the policies are posted with up to date material and used by all appropriate employees. Agency/department heads should develop departmental procedures that are consistent with the policies contained herein.

Updates:

1. Each manual page has an original "effective date" and a "revised" date. When OMB makes modifications to policy, the "revised" date is changed. If the policy is totally rewritten, the "effective date" will be changed.

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Fixed Asset
Accounting Policies

Effective Date: July 1, 2001
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2. When revisions are made, OMB will include a cover letter with a summary of the updates, which will briefly explain the changes.

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Appendix A

Fixed Asset
Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

FIXED ASSETS

Fixed asset inventories include five distinct classes: Equipment, Construction-in-Progress, Buildings and Building Improvements, Infrastructure and Land and Land Improvements. Each of these classes are further discussed and defined below.

CAPITALIZATION POLICY

Fixed assets should be capitalized when the following criteria are met:

- The asset is tangible or intangible in nature, complete in itself, and is not a component of another capitalized item.
- The asset is used in the operation of the State's activities.
- The asset has a useful life of one (1) year or more and provides a benefit throughout that period.
- Equipment should be capitalized if its cost is \$5,000 or more.
- Software purchased from outside vendors should be capitalized if its cost is \$5,000 or more. (Internally developed software is not normally capitalized.)
- Building and Building Improvements should be capitalized if the cost is \$5,000 or more.
- Infrastructure should be capitalized if the cost is \$5,000 or more.
- Land and Land Improvements should be capitalized if the cost is \$5,000 or more.

The cost of a fixed asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees.

Donated fixed assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. This estimation should be made on the basis of the best documentary evidence available. Examples of such documentary evidence would include independent appraisals, market quotations, information on actual sales of similar assets within an appropriate time frame, etc.

FIXED ASSET CATEGORIES (CLASSES)

To disclose fixed asset activity, five asset classes will be used:

1. Equipment
2. Construction-in-Progress
3. Building and Building Improvements
4. Infrastructure
5. Land and Land Improvements

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Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

1. Equipment

Equipment includes costs of equipment, office equipment, machinery, furniture and fixtures, furnishings, and similar items. For trade-ins, the cost of the new equipment item can be calculated as follows: fair value of the asset surrendered (normally the trade-in value) + amount paid – amount received. This category contains property that does not lose its identity when removed from its location. Donated equipment should be reported at fair value at the time of its donation.

2. Construction-In-Progress

Construction-In-Progress (CIP) contains amounts expended on an uncompleted building, infrastructure or other capital construction project. Fixed assets that are substantially complete and available for use on June 30 of any year are not CIP. Assets substantially complete should be properly classified as Buildings and Improvements, Infrastructure, or Equipment, based upon the nature of the constructed asset(s).

3. Building and Building Improvements

Buildings are permanent structures housing persons or personal property. Building Improvements are long-lived attachments to buildings that significantly increase the building's life, usefulness, or value. One cannot move or separate Building Improvements from the building. Building Improvements include assets such as elevators, central air conditioning, heating, and fire alarm systems. Building and Building Improvements include the value of all buildings at purchase price or construction cost (including all charges applicable to the building, which includes capitalizable costs at and subsequent to the date of asset acquisition). Donated Buildings and Building Improvements should be reported at fair value at the time of donation.

4. Infrastructure

Infrastructure assets are long-lived fixed assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most fixed assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets. Donated infrastructure should be reported at fair value at the time of donation.

5. Land and Land Improvements

Land – land purchased or otherwise acquired by the State. Purchased land should be carried on the books at cost (purchase price) plus any additional costs needed to place the land in its intended condition for use. Donated land should be reported at fair value at the time of its donation.

Land Improvements are permanent in nature and include costs directly related to preparation of existing land for its intended use. Land Improvements should not include infrastructure type assets.

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Fixed Asset
Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

CAPITALIZABLE COSTS ASSOCIATED WITH ASSET ACQUISITIONS

Capitalizable costs associated with asset acquisition that should be included in the original capitalizable cost of the asset include (not all-inclusive):

- Land
 - Original purchase price
 - Brokers' commissions
 - Closing fees, such as title search, and legal fees
 - Real estate surveys
 - Grading, filling, draining, clearing
 - Demolition costs (e.g., razing of an old building)
 - Assumption of liens or mortgages
 - Judgments levied through suits
- Buildings
 - Cost of construction
 - Expenses incurred in remodeling, reconditioning, or altering a purchased building to make it available for its intended purpose
 - Design and supervision costs
 - Building permits
 - Legal and architectural fees
 - Insurance costs during construction phase
 - Interest costs during construction (applies to construction after July 1, 2001 in enterprise and internal service funds only)
- Construction in Progress
 - Contractor's fees
 - Freight and transportation costs
 - Professional fees attributable to the construction
 - Certain interest expense (For construction after July 1, 2001 in enterprise and internal service funds only)
- Infrastructure
 - Cost of construction
 - Design and supervision costs
 - Building permits
 - Legal and architectural fees
- Equipment
 - Original contract or invoice price
 - Freight, import duties, handling and storage costs

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Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

- Specific in-transit insurance premiums
- Assembling and installation costs
- Reconditioning costs related to used equipment to make it available for its intended use

Fixed asset components that have a unit cost under stated capitalization levels should be capitalized if they are originally acquired as part of a system and the system cost equals or exceeds capitalization levels. Assets not capitalized should be tracked for insurance and control purposes. A system is defined as a group of interacting, interrelated, or interdependent components forming a whole. For example, the components of computer hardware would include the computer monitor, the keyboard, the Central Processing Unit, and the modem. These components should be considered part of the computer system and capitalized as a unit. The logic behind capitalizing each individual component as part of the entire system is that the component, standing alone, cannot function or serve its intended purpose by itself.

Any components, with a cost greater than the capitalization thresholds, subsequently added to a system should be capitalized as part of the entire system.

Not all expenditures incurred relating to placing an asset in its intended use should be capitalized. The following are types of expenditures that should **not** be capitalized.

- Cost relating to the removal or demolition of buildings, structures, equipment or other facilities. **Two exceptions** are as follows:
 1. Cost to remove or demolish a building or other structure existing at the time of acquisition of land when the intention of the removal or demolition is to accommodate the land's intended use (such cost is considered part of the land).
 2. Cost to remove or demolish a building or other structure with the intention of replacing the old asset (such costs are considered a part of the cost of the new building).
- Cost incurred on assets that are not purchased, e.g., surveying, title searches, legal fees, and other expert services on land not purchased.
- Extraordinary costs incidental to the construction of fixed assets such as those due to strike, flood, fire or other casualties.
- Cost of abandoned construction.

INTERNALLY DEVELOPED SOFTWARE

Internally developed software should be capitalized beginning with software development completed after June 30, 2003. The internally developed software should be capitalized if the **capitalizable cost** is \$50,000 or greater. The software should be amortized (depreciated) over the estimated useful life of the software.

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Effective Date: July 1, 2001
Revised: August 1, 2005

Not all costs associated with developing software should be capitalized. Training costs, data conversion costs, and administrative and overhead costs should **not** be capitalized. Costs of development that are capitalizable include:

- External direct costs of material and services (e.g. purchased “base” software, payments to non-state entity for development)
- Direct payroll costs, including salaries, fringes and travel
- Interest costs during development – Internal Service and Enterprise funds only

Not all phases of software development are capitalizable. Preliminary project costs, including determination, evaluation and selection of alternatives, should not be capitalized. Phases that are capitalizable include:

- Design of chosen path, including software configuration and interfaces
- Coding
- Installation to hardware
- Testing, including parallel processing

Capitalization should cease at the point at which a computer software project is substantially complete and ready for its intended use. Computer software is ready for its intended use after all substantial testing is completed.

INFORMATION TECHNOLOGY DEPARTMENT (ITD) Projects

Many agencies use ITD to create software programs for them. For those projects, it has been determined that approximately 65% of the total project cost is capitalizable (based on the criteria above). Therefore, ITD projects for the development of a new program/software where the total charge to the agency is approximately \$77,000 should be capitalized ($\$77,000 \times 65\% = \$50,050$).

Software/programs developed within an agency will require the agency to accumulate capitalizable costs and capitalize as necessary.

INTERNALLY DEVELOPED SOFTWARE ENHANCEMENTS

Improvements/upgrades to internally developed software should be capitalized if the capitalizable cost is \$50,000 or more, **and** it results in increased functionality of the software. Programming to change calculations or criteria to comply with new state or federal regulations does not increase the functionality of the software. Adding an entirely new component (i.e. eligibility determination) or a complete overhaul of the existing software does constitute increased functionality. Agencies should follow the above guidelines to determine which costs should be capitalized.

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Appendix A

Fixed Asset
Accounting Policies

Effective Date: July 1, 2001
Revised: August 1, 2005

NOTE: All ITD **major** projects (\$250,000 or greater) should be considered enhancements and capitalized unless approved by OMB.

COSTS SUBSEQUENT TO ACQUISITION

Costs incurred to achieve greater future benefits (e.g., improves efficiency, or materially extends the useful life of the asset, etc.) and which costs greater than the asset class capitalization level should be capitalized, whereas expenditures that simply maintain a given level of service should be expensed. Generally three major types of costs subsequent to original construction are incurred relative to existing fixed assets.

1. **Additions** (extensions, enlargements or expansions). Any addition (costing greater than the asset class capitalization level) to a fixed asset should be capitalized since a new asset has been created. For example, the addition of a wing to a hospital or the addition of an air conditioning system to an office building increases the service potential of that facility and should be capitalized. Other examples of additions include:
 - an elevator or dumbwaiter
 - fire alarm systems
 - security windows
 - sprinkler systems (internal)
 - acoustical treatment
2. **Improvements and replacements.** The distinguishing feature between an improvement and a replacement is that an improvement is the substitution of a better asset – having superior performance capabilities – (e.g., a concrete floor for a wooden floor) for the one currently used, whereas a replacement is the substitution of a similar asset (a wooden floor for a wooden floor).

In both of these instances agencies should determine whether the expenditure increases the future service potential of the fixed assets, or merely maintains the existing level of service. When the determination is made that the future service level has been increased, the new cost is capitalized.

3. **Repairs (Ordinary and Major).** Repairs maintain the fixed asset in its original operating condition.

Ordinary repairs are expenditures made to maintain plant assets in operating condition. Preventive maintenance, normal periodic repairs, replacement of parts, structural components, and other activities such as repainting, equipment adjustments, that are needed to maintain the asset so that it continues to provide normal services should not be capitalized but rather charged to an expense account.

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Examples of ordinary repairs include:

- roof and/or flashing repairs
- window repairs and glass replacement
- painting
- masonry repairs
- floor repairs

Major repairs are relatively large expenditures that benefit more than one operating cycle or periods. If a major repair, e.g., an overhaul, occurs that benefits several periods and/or extends the useful life of the asset, then the cost of the repair should be capitalized.

TRANSFER OF FIXED ASSETS BETWEEN AGENCIES

For all transfers, agencies should account for the transfers as additions and deletions of fixed assets. For additions, agencies should record the asset at their cost to obtain the asset and not at the original historical cost of the asset.

Note: Agencies are required to follow the policies and procedures in the State Property Disposal Manual for all retirements and disposals of state owned property.

Transfers to Surplus Property Section are to be removed from the agency's accounting records at the time Surplus Property takes possession of the property.

DEPRECIATION

Depreciation is the concept of allocating the cost of fixed assets over their estimated useful lives. Depreciation will have to be calculated beginning with the fiscal year beginning July 1, 2001. Agencies may use any rational systematic depreciation method, such as the straight-line or composite methods of depreciation. PeopleSoft calculates depreciation using the straight-line method, based on the months the asset was in use during the year.

Agencies using their own system to calculate depreciation may base the calculation on months the asset was in use during the year or may use an alternative rationale method to apply depreciation in the years the asset is acquired and disposed. For example:

- If the asset was *acquired* in the first half of the reporting period, a full year of depreciation should be taken.
- If the asset was *acquired* in the second half of the reporting period, one-half year of depreciation should be taken.

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- If the asset was *disposed* in the first half of the reporting period, one-half year depreciation should be taken.
- If the asset was *disposed* of during the second half of the reporting period, a full year of depreciation should be taken.

LEASED ASSETS

A lease of a fixed asset either qualifies as a capital lease or an operating lease. If a lease meets any one of the following classification criteria, it is a capital lease:

- A. The lease transfers ownership of the asset to the state by the end of the lease term.
- B. The lease contains an option to purchase the leased asset at a “bargain” price. A “bargain” price represents a price that is sufficiently lower than the expected fair value of the asset at the date of option becomes exercisable.
- C. The lease term is equal to 75 percent or more of the estimated economic life of the asset.
- D. The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the land to the lessor at the inception of the lease. The agency shall compute the present value of the minimum lease payments using its incremental borrowing rate, unless (1) it is practical for the agency to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the agency’s incremental borrowing rate. If both of those conditions are met, the agency shall use the implicit rate. Minimum lease payments are the payments that the agency is obligated to make or can be required to make in connection with the leased asset.

Capital lease assets are recognized as assets of the State. Therefore, the leased asset must be recorded in the agency’s fixed asset records at the present value of the future minimum lease payments, not to exceed the fair value of the asset.

For all leases of assets with a fair value of \$5,000 or more, it is necessary to evaluate this possibility at the inception of a lease so the transaction is recorded properly. Upon entering into a lease, the agency should request that the vendor provide all the information necessary to determine if the lease is capital or operating. The information an agency should obtain from the vendor for analysis of the lease commitment can be found in **OMB policy 312, “Leases and Lease-Purchase Agreements.”**

FIXED ASSETS RECORDS

All fixed asset records should be maintained for audit purposes. Documentation for fixed asset costs should be maintained in permanent files.

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Agencies are to maintain a listing of any assets lost, stolen or completely destroyed and removed from the fixed asset records. Additions to this listing must be authorized by the agency head or agency representative. This listing should be retained by the agency for audit review.

Agencies are required to maintain records to calculate and report by class of fixed assets:

1. Fixed assets by class.
2. Depreciation expense by department number. (Some department activities may be assigned a unique department number for reporting purposes. For example, DOT will need to account for Fleet Services separately since it is a “business type activity.”)
3. Gains and losses from disposal of fixed assets.
4. Additions and deductions of fixed assets by class.
5. Accumulated depreciation by class as of July 1, 2001 and additions to and deductions by fixed asset class.
6. Fair value of donated assets.

For agencies using PeopleSoft Asset Management, the above information is maintained in the system. (Agencies should still be running and reviewing these reports to ensure the accuracy of the information).

For annual CAFR reporting, agencies using PeopleSoft Asset Management will only need to complete closing packages for Construction in Progress information, if applicable. Agencies not using PeopleSoft Asset Management will continue to report all fixed asset information using closing packages, based on data recorded in the agency’s own system.